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Counterterrorism Group Bypassed on Iran Deal

White House Ignored Experts' Warnings

By Walter Pincus
Washington Post Staff Writer

President Reagan and his top advisers failed to tell their own secret interagency counterterrorism group that they were selling arms to Iran in an effort to win release of American hostages in Lebanon and later ignored the experts' warnings that arms shipments would never get all the Americans released, according to informed sources.

The counterterrorism group operated under a broad 1984 presidential intelligence "finding," updated this year, that authorized covert actions to free hostages and prevent terrorism.

These findings, which were reviewed by appropriate agencies and shared secretly with the House and Senate intelligence committees, permitted meetings to enlist the help of foreign governments and middlemen, and allowed such covert actions as attempting to entrap one group holding a U.S. hostage by offering it money.

However, the findings did not permit the transfer of arms to Iran—a step that was opposed by Secretary of State George P. Shultz and Defense Secretary Caspar W. Weinberger in White House meetings with the president in December and early January.

Despite their opposition, Reagan proceeded to authorize the sale of such arms under another secret intelligence finding that the White House said was signed on Jan. 17 without Shultz's knowledge, according to informed sources. The president also ordered CIA Director William J. Casey not to inform Congress of this particular finding.

Although the interagency counterterrorism group met weekly at the White House to map plans to prevent terrorist acts and discuss the status of all American hostages, Lt. Col. Oliver L. North, the National Security Council representative, never discussed the Iran

arms gambit with his colleagues, according to sources.

"He did occasionally hint something was going on" with Iran, one source said, but he never went into details before the group, which also included the top counterterrorism officials from the Defense Department, Joint Chiefs of Staff, CIA, State Department and FBI.

Members of the interagency group did learn, without being told officially, that arms had gone to Iran before the September release of one hostage, the Rev. Benjamin Weir. These experts also knew about the administration debates in December and January about whether more arms should be provided to the Iranians. But they, like their principals, were under the impression that the answer to that question was no, according to informed sources.

Last July, however, members of the group somehow picked up indications that arms shipments were behind the release later that month of the Rev. Lawrence M. Jenco.

Subsequently, the White House ignored warnings that continued arms shipments to Tehran would not gain release of all the U.S. hostages held by pro-Iranian extremists in Lebanon, according to the sources.

"They were told that when the number of American hostages [in the hands of the Islamic Jihad group in Lebanon] got down to two" from the five held when the arms-to-Tehran program began. "They will not go below two," one of the experts said, "because they can keep them separated and thus guarantee if an attempt to free one takes place they can kill the other." Another source said, "we knew they would not release any more until they got what they wanted."

What "they wanted," sources said, was release of 17 persons be-

ing held in Kuwait's prisons for terrorist acts in that country. The United States says it has never put any pressure on the emir of Kuwait to release any of his captives, "and will not," a top Reagan administration official said recently.

Despite the warnings from some members of his counterterrorism group that more hostages would not be released until Kuwait took some action, Reagan and his top White House aides continued to say publicly that they expected all the hostages to be released, even after the Iran operation was publicly exposed on Nov. 4 and criticized by Iranian leaders.

As recently as this past Saturday, the president said in his weekly radio broadcast that after the release of hostage David Jacobsen on Nov. 2, "others were about to follow."

The failure of Reagan and his top advisers to use the interagency group or State Department experts familiar with Iran in their clandestine program is one of several faulty steps taken by the National Security Council and Casey during the 18 months of the so-called Iran initiative, according to several members of the Senate Select Committee on Intelligence.

Some committee members say they are prepared to seek Casey's resignation because they consider Iran the latest in a string of intelligence failures that included the mishandling of Soviet defector Vitaly Yurchenko and the defection of Edward L. Howard, the first CIA agent to flee to the Soviet Union.

From the inception of the Iran initiative, according to sources, Casey supported what some State Department experts say was a naive belief fostered in the White House that there were "moderate" elements in the Tehran government, and that they could be wooed with U.S. weapons to gain freedom for the hostages. The experts believed that the United States was dealing not with some faction, but with the Iranian government itself, which was using its influence on the Moslem extremists who held the hostages to acquire military hardware desperately needed for the war with Iraq, the sources said.

After the president decided to pursue the covert arms-to-Iran program, the State Department's experts on that area were cut off not

only from knowledge of the program but also any intelligence referring to it, sources said.

That left Casey dependent on his own agency's specialists. However, the CIA's experts, who had problems dealing with Iranian exile groups opposed to Ayatollah Ruhollah Khomeini, had for several years questioned any covert-action proposals designed to manipulate individuals inside the ayatollah's governing circle, sources said.

Casey's response in the White House-run operation was to bypass his own specialists and hire an outside consultant—retired CIA operative George Cave, who had been station chief in both Tehran and Riyadh and spoke fluent Farsi. Cave accompanied former national security adviser Robert C. McFarlane and North on May 28 on their four-day trip to Tehran.

Throughout the year, as North, McFarlane and other U.S. and Israeli representatives carried on discussions with Iranian intermediaries, the operation came to focus almost solely on arms in exchange for hostages, according to informed sources. "Talk about future diplomatic openings, if they ever really existed, disappeared," according to one ranking member of Congress who has attended key White House briefings as well as intelligence committee hearings.

When the Iranians publicized McFarlane's mission to Tehran, first through a Beirut magazine and the next day in a speech by Hojatoleslam Hashemi Rafsanjani, speaker of the Iranian parliament, government experts outside the CIA quickly read it as signaling the end of the secret negotiations. The White House, however—with Casey's encouragement, according to congressional sources—promoted the idea that the operation would continue. The Tehran "contacts" were said to be open and reporters were told that the last two

hostages in the hands of the pro-Iranian extremists in Lebanon might still be released.

"Casey was invigorated by the efforts to get [CIA hostage William] Buckley, and then kept going because the president wanted it and Casey liked this kind of secret operation," a congressional source added.

Casey was also faulted by some Senate intelligence committee members for not pointing out to the White House the potential dangers to the operation that would come from disclosure. Rafsanjani, who was privately described as the target of the U.S. overtures, led the public disclosure of the McFarlane visit and has regularly denigrated the American efforts as a sign that Washington has been forced to capitulate to Iran.

He also said as recently as Saturday that Iran remains willing to help free the remaining American hostages, but only if the United States released about \$350 million worth of arms purchased by the late shah and persuaded the Kuwaitis to release their Islamic Jihad prisoners.

Defenders of the White House approach have argued this is just Rafsanjani's cover story, but other experts noted that many high-ranking Iranian political figures have also been privately wooing Western governments as part of a broader political initiative that began in mid-1985 and was kicked off by Khomeini in a speech to his ambassadors.

Casey is also faulted for not understanding the motives of Islamic Jihad, considered by many experts to be more a clan of Lebanese families rather than a tightly knit terrorist organization. The group, however, has been sophisticated in its treatment of the hostages, sources said.

The order of release provides one example, sources said. The first hostage freed was Weir, probably because as a minister he was considered likely to give the most sympathetic view of his captors.

The second hostage freed, Jencó, was also a clergyman whose family had made a strong public plea to Reagan for more aggressive efforts a month before his release. On June 13, Reagan responded to that appeal by saying that an approach he had hoped would win freedom for all the captives "didn't work out." That statement came two weeks after McFarlane returned from his secret, unsuccessful mission to Tehran.

The captors, like the hostages' families, want publicity in the United States to create pressure for Reagan to meet their demands, the experts say. For that reason, they expect that the last hostage freed will be Terry Anderson, the Associated Press correspondent in Beirut who was seized in March 1985. That is because Anderson's sister, Peggy Say, is the most vocal of the hostages' relatives, and because Anderson's fellow journalists can be counted on to keep his captivity in the public eye.



CIA DIRECTOR CASEY
... brought in consultant for mission